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CURRENT SUPPORT BRIEF

SOVIET BLOC OIL EXPORTS TO THE FREE WORLD

OFFICE OF RESEARCH AND REPORTS
CENTRAL INTELLIGENCE AGENCY

This report represents the immediate views of the originating intelligence components of the Office of Research and Reports. Comments are solicited.

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Soviet Bloc Oil Exports to the Free World

An estimated 24,300,000 metric tons of crude oil and petroleum products were exported to the Free World by the Soviet Bloc in 1960, about 34 percent more than in 1959. The USSR supplied about 85 percent of these exports and Rumania provided most of the remainder. The value of the Bloc's oil exports to the Free World in 1960 is estimated to be about \$485 million, based on a calculated value of \$20 per ton.*

Although Bloc oil exports accounted for a relatively minor share of the total demand for petroleum in the Free World, these exports provided a sizable part of the total supply of oil in several Free World countries, e.g., Finland, Iceland and Cuba. The NATO countries of Europe received about 53 percent of the Bloc's exports of petroleum in 1960. Italy, which imported the largest quantity of any Free World country, and West Germany together imported almost one-third of the total exports of Bloc oil to the Free World.

The composition of Bloc oil exports to the Free World has changed somewhat in recent years. In 1955, crude oil comprised about 17 percent of Bloc oil exports to the Free World, but in 1960 the corresponding percentage was 42 percent. During the same period, 1955-60, exports of petroleum products decreased, on a relative basis, from 83 percent of the Bloc's oil exports to the Free World to 58 percent. (See Table 1)

Oil exports, particularly those delivered to the industrialized countries of Europe and Japan, were the Soviet Union's largest single earner of foreign exchange in 1960. Such foreign exchange is used principally to pay for imports of capital goods and equipment necessary for the fulfillment of the Soviet Seven-Year Plan.

The Bloc exported oil to 30 countries in 1960. These exports represented a significant percentage of consumption in Cuba, Greece, and the United Arab Republic, and accounted for about 95 and 84 percent, respectively, of the consumption in Finland and Iceland. (See Table 2)

Western Europe continued to provide the most important market for Bloc oil in 1960, absorbing 77 percent of total Bloc exports to the Free World. In Western Europe, the NATO countries were the principal consumers of Bloc oil, having imported 13 million tons in 1960. This quantity accounted for about 8 percent of total consumption of oil in European NATO countries, although the percentage is considerably greater for selected members of NATO. Demand for oil in the European NATO countries accounts for about 90 percent of total demand in Western Europe. Of the NATO countries, Canada, the United States and Turkey did not import Bloc oil in 1960. Imports of Bloc oil by the Netherlands and Belgium include an indeterminate quantity of oil which is not consumed within either country but is transshipped to other Free World countries.

In 1960, three additional countries--Cuba, India, and Guinea--were added to the list of nations importing Bloc oil. Cuba was supplied entirely from the USSR after Cuban seizure of Western-owned refineries in mid-1960. Initial shipments of Soviet oil arrived in April, but full-scale deliveries to Cuba did not begin until June 1960. Supplying Cuba with oil imposed a problem in logistics for the USSR, and the operation

*Weighted average value for crude oil and petroleum products using 1960 F.O.B. prices from Platt's Oil Price Handbook. Because much of the petroleum trade involves elaborate barter arrangements it is not possible to determine the exact price of the oil.

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necessitated the chartering of additional Free World tanker tonnage as well as re-deployment of Bloc tankers. India received two shipments of oil from the USSR as part of a newly signed agreement calling for 1.5 million tons to be imported over a four-year period. Guinea shifted from Free World suppliers to the USSR for a major part of its petroleum supplies in 1960.

Bloc oil exports during the six-month period January-June 1961, totalled about 13 million tons. Based on six month's performance, Bloc exports to the Free World in 1961 may amount to 26-30 million tons. Burma, Turkey, and Spain which did not import Bloc oil in 1960 have been added to the list so far this year. Burma is scheduled to import 32,000 tons of petroleum from the USSR in 1961. Turkey is to exchange low-grade tobacco for approximately 33,000 tons of petroleum from the USSR. Spain has agreed to import 40,000 tons of diesel fuel oil from both the USSR and Rumania in 1961; about 35,000 tons have already been shipped by Rumania. However, Argentina, Lebanon, Portugal, and Uruguay, which imported Bloc oil in 1960, did not import any during the first half of 1961.

Italy is committed to import 4 million tons of crude oil from the USSR in 1961. The USSR-West German Trade Agreement provides for imports of 2.5 million tons of petroleum in 1961. The USSR-Japanese Trade Protocol for 1961 has raised the quantity of oil to be imported from 1.4 million tons, as envisaged by the trade agreement signed in 1960, to 1.7 million tons. Sweden, as part of its trade protocol with the USSR for 1961, is to increase the import of Soviet oil from 1.9 million tons in 1960 to 2.5-2.7 million tons. Soviet shipments to Cuba which amounted to 1.9 million tons during the last 9 months of 1960 are to be raised to 4.4 million tons in 1961, making the USSR the sole supplier of oil to Cuba.

The quantity of oil available for export from the USSR will probably continue to increase because of its capacity to produce crude oil in excess of domestic demand through 1965. Moreover, the political gains which the USSR has achieved as a result of its penetration of the Free World oil markets and the desire on the part of the USSR to procure capital goods and equipment in increased quantities from Free World suppliers suggest that the Soviets will make every effort to maintain and expand the market for Bloc oil through 1965. The Bloc may have available as much as 50 million tons (1 million barrels per day) of petroleum to export to the Free World in 1965.

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Table 1

Composition of Petroleum Exports from the Soviet Bloc to the Free World

	Crude Oil		Petroleum Products		Total	
	(000 metric tons)	(percent of total)	(000 metric tons)	(percent of total)	(000 metric tons)	(percent of total)
1955	943	17.2	4,551	82.8	5,494	100.0
1958	4,333	35.2	7,977	64.8	12,310	100.0
1959	6,684	37.0	11,398	63.0	18,082	100.0
1960	10,309	42.5	13,958	57.5	24,267	100.0

Table 2
Free World Imports of Petroleum from the Soviet Bloc in 1960
(Thousands of metric tons)

<u>Region and Country</u>	<u>Imports from Bloc</u>	<u>Bloc Imports as Percent of Consumption</u>
<u>Free Europe</u>		
<u>NATO Countries:</u>		
Belgium/Luxembourg a/	452	6.2
Denmark	134	2.5
France	1,208	4.4
Germany (F.R.)	2,826	9.5
Greece	930	40.4
Iceland	335	83.8
Italy b/	5,228	23.4
Netherlands a/	1,341	12.5
Norway	262	7.2
Portugal	49	3.1
United Kingdom	175	0.4
Sub-total	12,940	8.3 c/
<u>Other Europe:</u>		
Austria	1,108 d/	38.2
Finland	2,280	95.0
Sweden	1,900	15.7
Switzerland	50	1.2
Yugoslavia	355	NA
Sub-total	5,693	
Total Free Europe	18,633	10.5
<u>Middle East and Africa:</u>		
Algeria	53	2.6
Guinea	16	NA
Lebanon	93	10.3
Morocco	47	4.7
Tunisia	15	3.0
United Arab Republic		
Egypt	1,661	34.2
Syria	272	28.6
Total	2,157	
<u>Asia:</u>		
Afghanistan	50	NA
India	22	0.3
Japan	1,218	4.2
Total	1,290	
<u>Latin America:</u>		
Argentina	10	0.1
Brazil	120	0.9
Cuba e/	1,970	43.3
Uruguay	87	6.0
Total	2,187	
GRAND TOTAL	24,267	

- a. Figures for Belgium and the Netherlands include petroleum transshipped to other Free World countries.
- b. Subtracting 1.2 million tons, petroleum imported from the Bloc and re-refined for foreign accounts, Bloc imports as percentage of consumption were 17.5 in 1960.
- c. Consumption of petroleum in Turkey included in figure for total consumption of petroleum in European NATO countries.
- d. Net imports of petroleum from the Bloc were 106,000 tons. Austria shipped a total of 1 million tons of crude oil to Poland, Hungary, East Germany, and Czechoslovakia on the USSR account in 1960, as part of Austrian reparation deliveries made to the USSR.
- e. Bloc oil was supplied exclusively only in the last half of the year.

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Analyst:

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Sources:

The information contained in this Brief was derived from a variety of sources. These sources are available in the Fuels and Power Branch, of the Economic Research Area, ORR.

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